

A Short History of Business and Commerce in the Philippines*

Prepared by

ROTARIAN VERNÉ E. MILLER

President, Philippine Education Company, with the co-operation
of the Editor of the Philippine Magazine

A RUSSIAN writer, Captain Otto von Kotzebue, wrote of Manila in his "A New Voyage Around the World":

"The whole world does not offer a more advantageous station for commerce than the town of Manila." The Frenchman, J. Mallat, in his "The Philippine Islands," predicted that "the Archipelago is destined to become the dominant power in the Eastern World." These statements may be exaggerations, but more recently an official observer, Col. Carmi A. Thompson, reported to the President of the United States: "I believe the economic possibilities in the Philippines are almost beyond comprehension." A recent (1927) report of the United States Department of Commerce speaks of "the great natural resources of the Philippine Islands" and of their "almost phenomenal commercial development within the past twenty years."

Manila as an International Mart Before the Coming of the Spaniards.—The rich natural resources of the Philippines and the value of Manila as a trading center have long been known to the people of the East, the Indians first visiting the Islands in the 4th or 5th century, B.C., and the Chinese about the 3rd or 4th century, A.D.; and shortly afterward the first Arab traders came. General trade was well developed by the 9th century, long before the European renaissance. For centuries before the coming of the Spaniards, Manila was an international mart. Vessels from India and the East Indies, and from China and Japan called at Luzon, Mindanao, Sulu, and other parts of the Archipelago. Manila was the most important center in this ancient bartering, and various nations possessed islets at the entrance of the Pasig River for trade bases. Tondo, Navotas, Malabon, Obando, and Maynila were held by the Indians and the Borneo Mohammedans; Parian, Baybay (Meisic), and Minondoc (now Binondo) were in the possession of the Chinese; while the Japanese inhabited

"THIS "Short History of Business and Commerce in the Philippines" was written especially for the "First Decennial Handbook, January, 1919—January, 1929," of the Manila Rotary Club, published in Manila in 1929. The material covering the Spanish period was taken largely from Regidor and Mason's "Commercial Progress in the Philippine Islands" (London, 1905). Because both this work and the Rotary Handbook are now out of print and not easily available for consultation, special permission was obtained to reprint the "Short History" in this *Journal*. The senior author, the late Verne E. Miller, President of the Philippine Education Company, died in Tucson, Arizona, in 1943; the editor of the *Philippine Magazine*, a pre-war monthly, is now the editor of this *Journal*.

In a Foreword, the then President of the Manila Rotary Club, Mr. E. A. Perkins, said:

"WE, the representatives of many nationalities and different races, justly pride ourselves on the fact that this community in which we live demonstrates in a practical way that with true tolerance and good will different races and different people can live together and work out their respective destinies without strife and without enmity.

"We are thoroughly in accord with the principle that, 'the advancement of good will and international peace through a world fellowship of business and professional men united in the ideal of service', is the one solution to hasten the day when racial and national jealousies, with all the unhappiness that follows in their wake, will be things of the past."

"The Manila Rotary Club is typically a cosmopolitan organization in a cosmopolitan community. Many different nationalities are represented in the Club, and the principles of Rotary are exemplified and typified in a very high degree."

Quiapo, Nactajan, Sampaloc, Dilao, and Palengue (now San Marcelino). These are today all districts in Manila.

The Products of the Old Philippines.—Among the indigenous products of the country exchanged for the cutlery and lacquered ware of Japan, the spices of Malay, the silks and porcelains of China, and the beads, jewels, ivory, and carpets of Siam and India,—were such table delicacies as trepang, sharks' fins, dried and salted fish and ducks, edible birds' nests, preserved eggs, fruits, sugar, rice, coconuts, areca nuts, betel leaves, and spirits. The Filipinos were always fond of good food. Besides all this, the Islanders possessed for barter fabrics of silk, silk and gold thread, cotton, pineapple and hemp fibre, etc. The people of the coasts did not go naked, but were well dressed. There was also some gold in the Islands, and pearls, mother-of-pearl, and tortoise shell was obtained from neighboring waters. Iron arms, brass cannon, agricultural tools, and kitchen utensils were manufactured. And there was some copper and sulphur obtainable, and, of course, much of the finest hardwood. The Filipinos showed marked proficiency in cannon making.

Early Philippine Business.—The Filipinos secured most of their profit by exacting tribute from the traders, although they did some business of their own. They had a well-developed code of laws, a system of writing, weights and measures; they understood compound interest, and there was also money, although most of the trading was conducted by barter. There was even a class of professional sureties. The Philippines escaped the attention of such men as Cortez and Pizarro, and the fate of Mexico and Peru, chiefly because of the absence of silver and gold in large quantities.

The Spaniards Make Manila an Open Port.—The first permanent Spanish colony was founded in Cebu in 1565, and Manila was occupied in 1571. The Spaniards recognized the value of the Oriental trade they found here in the 16th century. They abolished the system of levying tribute, and for a time established free trade at Manila, the first open port in the Far East and one of the few in the world. Several years later they levied a small duty of 3% on goods from the Orient and 2% on goods from Mexico, but this was purely as a revenue tax.

The Enormous Profits.—The rich trade drove from the minds of the Spaniards any thought of acquiring wealth through the tedious process of developing the resources of the country, and they themselves became traders, forwarding Oriental merchandise to the nearest ports across the Pacific instead of to ports in Spain by way of the Cape of Good Hope to avoid contact with the Portuguese and other rivals. Manila soon became the foremost commercial center in all the Orient, and from China alone thirty or forty large junks, carrying crews of from 150 to 300 men, came annually laden with produce for transhipment across the Pacific. Many other ships brought rich cargoes from Japan, Siam, Cambodia, Borneo, and Malacca.

One Spanish merchant wrote in 1590 that as a result of a voyage from Mexico to Manila and back again "two hundred ducats in Spanish commodities and some Flemish wares. . . I made worth 1,400 ducats there in the country [Manila]. So I make account that with those silks which I brought with me from thence to Mexico, I got 2,500 ducats with the voyage, and had gotten more if one packe of fine silkes had not been spoiled with salt water." A profit of 1,300 per cent!

Philippine Prosperity Sacrificed.—But the invasion of Mexican markets by Philippine Spaniards threw their countrymen at home in a panic, and the Madrid authorities were beseeched to take action. Spain was unable to adapt itself to the new conditions and profit by the development of the Philippines, so the colony was sacrificed to the ignorance of the age. The merchants of Seville demanded that the Archipelago be abandoned, and King Philip II went almost as far, for in 1585 he ordered the Viceroy of Mexico, the overlord of the Philippines, to compel the cessation of all Chinese trade with Manila. This order was disobeyed, but obedience was ultimately compelled to a similar decree in 1593. According to the terms, the export trade of the Philippines was not to exceed 250,000 dollars annually, and only two ships of 300 tons each were to carry the merchandise to Mexico. Direct intercourse with Spain was forbidden, and all goods had to be sent to Acapulco. The merchants in the Philippines, of course, protested, so for good measure the decree was again repeated in 1604.

Serious Deficits in Revenue Result.—For nearly two centuries this commercial insanity continued, with slight enlargements from time to time in the value of the goods allowed to be sent across the Pacific, and with the ultimate substitution of a single galleon of between 1200 and 1500 tons for the two smaller ships. Other restrictions were enforced locally in the Philippines. The result was that the Spanish treasury was obliged to make good serious deficits in the Philippine government budget, Spain's annual contribution to the Philippine exchequer reaching as high as 1,500,000 dollars.

Efforts at Reform Blocked by the Monopolists.—The Spaniards in the Philippines finally had powerful interests working in their behalf, particularly the religious orders in Manila, and in 1733, King Philip V approved the formation of the Company of the Philippines which was given the right to trade between Manila and Cadiz by way of the Cape of Good Hope. But the export of the Philippines had during the preceding century been cornered by some of the chief personages in the colony, and as these people were opposed to the disturbance of their monopoly, the first Company of the Philippines did no business whatever.

The Chinese Expelled—and Asked to Come back Again.—A commercial depression resulting from decrees against the exportation of silks and woven goods and from the decreasing markets in Mexico, brought about the expulsion of all non-Christian Chinese in 1755, and this led to most serious consequences. A company, which had been formed by the Spaniards to buy all the goods brought from China for resale to other Spaniards engaged in the Acapulco trade, had to pay such high prices for these goods, that it failed, and, driven by sheer necessity, the Spaniards had to invite the Chinese to return to Manila in 1778.

The Shoe Begins to Pinch the Other Foot.—The trade depression in the Philippines now began to affect the Spanish merchants at home, and they changed their attitude. A new decree was issued, providing that a galleon should traffic annually between Cadiz and Manila. The vessel, the *Buen Consejo*, was the first vessel from Europe to reach Manila by sailing westward around Africa.

The Monopolists Again Oppose the Government.—But the merchants of Manila did not take favorably to this opening of a new route. They had no desire to buy European goods, and their objection to the disturbance of their trans-Pacific monopoly was as strong as ever. They therefore did all they could to kill the new enterprise, and the *Buen Consejo* returned to Cadiz with much of its cargo unsold. Nevertheless, the voyages were continued, but after fourteen trips, the project was abandoned in 1783.

The Royal Company is Organized—and Fails.—The Government at Madrid was in earnest, however, and searched for other schemes to extend Spanish trade with the Philippines, and in 1785 the Royal Company of the Philippines was formed. This marked the turning point in Spain's policy of repression and restriction to one of development. But the Company's buyers were ignorant of the class of goods to bring back from the Orient, and it took several years to sell the first cargo. The Company became involved in financial difficulties, and although efforts were made to save it, the enterprise came to an end in 1844. Added to the incompetence of the officials, and a policy of repression and persecution of native Filipinos who interested themselves in industrial and commercial undertakings, which the Company had to face, was the handicap of abnormal political conditions which resulted in a series of native uprisings.

The Persecutions of Filipinos in Business.—There were extensive persecutions of the most prominent Filipinos, including Don Domingo Roxas, founder of the millionaire Roxas family, who died in a cell in Fort Santiago, Francisco Rodriguez who later founded the first foreign bank in the Philippines, Mariano Tuason, another banker, and many others.

Foreign Merchants Allowed to Visit Manila for a Few Months.—The failure of the Royal Company of the Philippines had one good result. It led to the conviction in the minds of the authorities that the old policy of exclusiveness and monopoly must be abandoned. Foreigners were from then on given gradually extended rights. In 1789 foreign vessels were given permission to convey goods of all the Indies to the Philippines. Later, foreign merchants were allowed to visit Manila for a few months during the trading season, and finally they were given the right of permanent residence. In 1809 an English company* was admitted, and others began to follow in 1814. In 1830 Manila was opened to foreign trade.

Americans Assume the Lead in Philippine Business.—The trade and commerce of the Islands were now soon on a highly successful plane, and American firms began to play a leading part. American trade with the Orient had been begun by merchants of Boston and Salem during the Revolutionary War, and had increased with great rapidity. The Americans secured a foothold in Canton, where all the trade of China was centered, and before long the business of the English merchants was so diminished that Parliament in 1820 appointed a special commission of investigation. It was found that American shipowners were able to undercut British freight rates by more than 50%, and also that the Americans at Canton had a better "trading character" than the merchants of any other nation. American trade went from Canton to the Philippines, and two American houses—Russell, Sturgis & Company and Peel, Hubbell & Company—that were established in Manila, took the chief part in the contest for Philippine trade. It was at this time that the country began to export hemp, sugar, tobacco, and indigo in ever increasing quantities.

The Obras Pias and the Banco Español-Filipino.—The religious fraternities in Manila which were helping to finance Spanish business, were amalgamated in 1851 under the name Obras Pias by order of Captain-General Urbiztondo, and the next year he founded the Banco Español-Filipino. As the personages interested in the Bank were more powerful than those behind the Obras Pias, the former was given every privilege the Spanish authorities could grant, and it became, in fact, the official government bank of the Philippines with the sole right to issue bank notes.

*Wise & Company.

The Government

From Official Sources

July 1—President Elpidio Quirino signs Executive Order No. 512 establishing a rat-proof building zone in the Manila Port Area and prohibiting the maintenance of homes, kitchens, and restaurants there as well as banning domestic animals from the area. The Order supersedes Executive Order No. 292, of August 5, 1940.

The President signs Executive Order No. 514 increasing the ceiling price of packaged sugar (in cellophane, cotton, or other bags) by 5 centavos a kilo.

July 2—The President, following an inspection of Manila flood-control projects, authorizes the release of ₱450,000 to enable the Department of Public Works to resume the work begun late in 1948 and suspended early in 1950 because of lack of funds.

The President signs Executive Order No. 515 raising the ceiling prices on galvanized-iron pipe.

The President signs Executive Order No. 516 fixing the ceiling prices on pneumatic tires, the prices including the 17% special excise tax on foreign exchange, the 7% sales tax, and the 1% municipal tax.

July 3—President Harry S. Truman sends President Quirino felicitations and best wishes in connection with the 4th of July observance, as do also the Governments of Denmark, Israel, Canada, Korea, Indonesia, Norway, etc.

The President pays high tribute to the Armed Forces in the traditional yearly parade and review given in his honor at Camp Murphy.

The President recommends to Congress the inclusion of an item of ₱250,000 in the Public Works Bill for the construction of a river-wall along the north bank of the Pasig from the National Development Company compound westward. Malacañan also releases a list of 9 more bills submitted by the President for consideration during the present special session.

The annual Civic Assembly of the Women of the Philippines is held in the Malacañan Park recreation hall and President Quirino presents the Presidential Reward of Merit for this year to the family of Amado V. Aldaba, for family solidarity; Miss Fe Horillano, for social service; Justice Delfin Jaranilla, for public service; Mr. and Mrs. Victorino Santiago, for leadership in cottage industries; Elvessa S. Stewart, for education; Miss Felicing Tirona (post-humous) for advancement in teaching of music; and E. S. Turner for service to youth (Y.M.C.A.).

July 4—Impressive ceremonies are held on the Luneta in celebration of the 6th anniversary of the establishment of the Republic of the Philippines. The President departs from his prepared speech to apologize for the appearance of a float in the parade of the "Filipino National Patriotic League", which carried an unauthorized banner stating, "We demand mass deportation of the Chinese". He also orders an immediate investigation of the matter.

July 5—The President issues Proclamation No. 328 further extending up to July 12, the period of the special session of Congress "to consider and finish urgent legislative measures."

July 8—The President at a Cabinet meeting orders immediate land, air, and sea investigation of the areas devastated by the recent typhoon "Emma" and directs the Department of Agriculture to prepare a report on the crop damage in northern Mindanao and the eastern Visayas.

Secretary of National Defense Ramon Magsaysay interposing no objection, the President authorizes the use of Camp Overton, at Iligan, Lanao, for the site of the NASSCO steel mills which will manufacture steel products from scrap metals and will eventually process iron ores from Surigao and Samar.

The President at the formal inauguration of the Philippine Air Lines new plane, the *Magellan's Cross*, states that "every new unit

we acquire in order to expand the facilities of PAL is one ambassador more in friendship and goodwill." The plane is a 4-engine Douglas DC-6B, with accommodations for 54 passengers, a speed of 350 m.p.h., and a service ceiling of 30,000 feet; it cost ₱2,400,000. It will be placed on the Manila-Madrid run but the President will first use the plane on his projected tour to London.

July 9—The President designates Division Superintendent of Schools Fernando Fuentes as Acting Provincial Governor of Negros Occidental, succeeding Provincial Treasurer Leon Miraflores who has acted in the capacity since the suspension of Governor Rafael Lacson; Miraflores asked for leave of absence because of illness.

Vice-President Fernando Lopez, concurrently Secretary of Agriculture and Natural Resources, issues a statement allaying fears of a rice-shortage, although the expected 1951-52 production of 2,830,700 metric tons has been reduced by more than 1,000,000 cavans because of some six different typhoons which swept the Philippines.

July 10—The President issues a statement expressing grief over the death of Dr. Angel S. Arguelles, Director of the Institute of Science and Technology and former Director of the defunct Bureau of Science.

July 11—At ceremonies held in the Department of Foreign Affairs, a Treaty of Friendship between the Republic of the Philippines and the Republic of India is signed.

The President instructs Under-Secretary Felino Neri of the Department of Foreign Affairs to look into the feasibility of eliminating the \$12.50 visa fee charged by Philippine diplomatic offices abroad, said to be the "most excessive visa fee" charged by any country.

Acting Executive Secretary Marciano Roque states that nearly 20 foreign countries have already expressed their intention to send exhibits to the first Philippine International Fair scheduled to be held in Manila from February 1 to April 30, 1953, and urges all Philippine provinces and cities to participate.

July 12—The President issues Executive Order No. 519 providing instructions to be followed in the conduct of public affairs during his absence from the Philippines, the Vice-President being authorized to exercise supervision over the executive departments for and in the name of the President. The President confers with former Senate President Mariano J. Cuenco and Governor Sergio Osmeña, Jr. of Cebu, during which Osmeña supports the President's intention to appoint Cuenco Administrator of Economic Coordination and Cuenco, in turn, supports the proposed appointment of former Representative Jose V. Rodriguez as Mayor of Cebu City.

Secretary of Public Works Pablo Lorenzon recommends to the President a ₱20,000,000 loan from the Central Bank for the construction of the Agno river irrigation project in Pangasinan which would bring water to some 40,000 hectares of agricultural lands; use would be made of the tail-water from the reservoir of the hydro-electric plant now under construction at Ambuklao.

July 13—The President sends a letter to Senate President Eulogio Rodriguez, Sr., urging action on the Japanese Peace Treaty, saying, in part:

"We can not keep the 20,000,000 people of our country in suspense or place them in the dark as to our future relations with Japan. It is necessary to provide on time the basic policy upon which to guide our future action in connection not only with our trade or political relations with Japan, but the issue of peace in the Orient. For more than a year, our people have been studying as to what would be the stand of the Government on the matter. The 15-member committee which I appointed, representing all the vital elements of the country and our two major parties, unanimously endorsed this Treaty. It has now become a matter of conscience on the part of our leaders responsible for the final action to be taken on this Treaty to define their stand in unmistakable terms for the future guidance of our Government. Before confusion increases in our midst, our people, who have a great stake—material, political, and military—in the final outcome of this Treaty, are entitled to know what should be the guiding thought and foreign policy of the Philippine Government in which our present university students in San Francisco."

July 14—Secretary of Foreign Affairs J. M. Elizalde releases a statement declaring:

This was done not to make money from the loans, but to get produce for export.

Early Filipino Business Pioneers.—Shortly after the arrival of the foreign traders, two Filipino financial houses were opened, one by Damaso Gorricho did a small business as a simple money-lending concern, and the other by Francisco Rodriguez was under the protection of the British consul at Manila, as Rodriguez had become a British subject when he had escaped to England after his arrest for political activities. About the time of the closing of this bank, at the death of Rodriguez, Mariano Tuason, another Filipino, opened a bank of his own.

(To be continued in the September Journal)